

GST e-invoices spell end to sales under-reporting

The move also allows small biz to claim credit for taxes paid on wholesale purchases

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The practice among small businesses of issuing 'kacha bills' or informal sales invoices to under-report turnover is likely to become a thing of the past with the government quietly extending the scope of e-invoicing to ever more businesses.

The requirement of e-invoicing—live reporting of business-to-business transactions to a government portal—which is being applied to ever more small businesses is set to make it harder to keep their final retail sales under wraps as the wholesale purchases have already been reported to the authorities.

The effect is two-fold, said experts. One, it makes it easier for small firms to claim credit for taxes already paid on the wholesale purchases and, two, exposes them to questioning by the authorities if final sales are not reported. As per current plan, from 1 April, businesses with sales of more than ₹50 crore will have to generate e-invoices on their business-to-business transactions, down from the current threshold of ₹100 crore. The government's idea is to make this obligation applicable to all business-to-business deals later this year. The move shows that the government's idea of formalizing the economy through goods and services tax (GST), which initially faced a backlash from traders and small firms, is now reaching its final stage.

To be sure, GST has already helped in checking tax evasion and



From 1 April, businesses with sales of over ₹50 crore will have to generate e-invoices for B2B transactions. BLOOMBERG

large businesses are compliant with the technology-driven tax system. It is segments of the market where retail margins are high that are prone to tax evasion, as high retail margins make it perversely attractive to forgo credit for taxes already paid on procurement and under-re-

port retail sales, authorities can ask him to show the inventory. Once fully rolled out, e-invoicing is set to give a strong push to the formalization of the economy and give a big boost to tax compliance not only in GST, but also for income tax as under-reporting sales by small firms

tax system among countries of comparable size and diversity," said M.S. Mani, partner, Deloitte India.

According to Niraj Hutheesing, founder and managing director of Cygnet Infotech, a tech firm that helps clients digitize businesses, the primary challenge among micro,

small and medium enterprises for implementing mandatory e-invoicing is their readiness to manage data. Since e-invoicing is being done in a phased manner, it is comparatively easier for small businesses to replicate the way solutions

are implemented by large businesses. Large corporations are helping vendors and suppliers with software systems that will enable them to comply with e-invoicing requirements, and even small accounting software providers are modifying their software to include e-invoicing as a solution, said Hutheesing.

FORMALIZATION PUSH

GST e-invoicing will help check retail sales without proper invoice, particularly in small businesses

GREATER transparency will give a boost to compliance in both GST and income tax

SECTORS in the market where retail margins are high are found to be more prone to tax evasion

E-INVOICING will make GST one of the best information technology-enabled indirect tax regimes

port retail sales. Pharmaceuticals and construction materials, besides cement and steel are among high-margin businesses, an industry expert said seeking anonymity.

E-invoicing keeps authorities informed about who purchased goods from a distributor or stockist. If the buyer does not report his

becomes harder. Experts said this would be a big feat compared to even what has been achieved by some of the western economies.

"The extension of e-invoicing across all business transactions over a period of time would make the GST one of the most advanced information technology-enabled indirect